

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Report of the Banking Committee
Date: August 30, 2001

Recommended Actions:

1. Adopt the following:

A Resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$14,000,000 Dormitory Revenue Bonds, Series S.U.I. 2001.

(ROLL CALL VOTE)

2. Accept the Report of the Banking Committee.

Executive Summary:

The Banking Committee materials, which include a memorandum covering each item in detail, have been furnished to all Board members. During its meeting on September 12, 2001, the Banking Committee is scheduled to consider approval of the minutes from the July 2001 Banking Committee meeting and the approval of a Preliminary Resolution for the Sale of up to \$14,000,000 Dormitory Revenue Bond Sales, Series SUI 2001

The Banking Committee is scheduled to receive a report on the Costs of Bond Issuances, the Annual Investment and Cash Management Report, a state audit report for Iowa State University, an external audit report for the Tri-State Graduate Center, and internal audit reports from the University of Iowa.

Background:

Approve Minutes of the July 2001 Banking Committee Meeting

The minutes of the July Banking Committee meeting are included with Banking Committee materials.

Preliminary Resolution for the Sale of up to \$14,000,000 Dormitory Revenue Bond Sales, Series SUI 2001

The Banking Committee is requested to recommend that the Board adopt a resolution authorizing the Executive Director to fix the date or dates for the sale of up to \$14,000,000 Dormitory Revenue Bonds, Series S.U.I. 2001. The proposed sale would replace on the bond issuance schedule a sale for the University of Iowa Utility System. The sale for the Utility System would be delayed until calendar year 2002.

The bonds would be sold to finance, in part, the renovation of the former dining area in Currier Residence Hall and fire protection upgrades in Currier, Stanley, Burge and Daum residence halls. At its May 2001 meeting, the Board approved a reimbursement resolution which will permit the University to be reimbursed from future Dormitory (Residence) System Revenue Bond issues for residence system projects, including the three projects to be financed by the proposed bond issue.

The bonds would be issued for a period of 20 years, with debt service of approximately \$1,070,000 annually to be paid from net rents, profits, and income from the operation of the residence system. The University's residence system is a self-supporting operation and receives no state appropriations.

Costs of Bond Issuances

The Banking Committee has requested reports identifying the costs associated with each bond issuance. This month's report includes the issuance costs for the April 2001 sale of Iowa State University \$23,155,000 Academic Building Revenue Refunding Bonds Series 2001A and Series 2001B, which refunded bonds sold in 1990 and 1991. Due to declining interest rates, the refundings provided an opportunity to reduce annual debt service payments.

Tuition and fee revenues are used for debt service payments on Academic Building Revenue Bonds; a tuition replacement appropriation replaces that university revenue. The net savings from the refundings in future tuition replacement appropriations between 2002 and 2015 was approximately \$2.5 million.

Estimated and actual issuance costs for the bond sales were:

<u>Bond Issue</u>	<u>Estimated Costs</u>	<u>Actual Costs</u>	<u>Actual Costs as % of Bond Issue \$</u>
ISU Academic Building Revenue Refunding Bonds	\$107,677	\$74,969.64	.32%

Annual Investment and Cash Management Report

The Regent institutions maintain two investment portfolios — operating and endowment/quasi-endowment. Both portfolios include restricted and unrestricted funds.

As of June 30, 2001, total Regent combined operating and endowment portfolios exceeded \$1 billion for the sixth quarter in a row.

The market value of the combined operating portfolios, as reported by the Regent institutions, totaled \$851.5 million. The university operating investment portfolios performed in line with comparable industry standards.

Wilshire Associates, the Board's investment advisor, prepares the summary report on the endowment portfolio, which totals \$290.4 million. The combined investment managers' returns for the University of Iowa (excluding the quasi-endowment) and Iowa State University endowment portfolios were each 3.3% for the year. The blended asset allocation benchmark posted returns of 3.7% for the year. Wilshire reported that the three endowment investment managers were close to their respective benchmarks.

University internal auditors verified that investment purchases and holdings of the institutional portfolios during the year ended June 30, 2001, were in compliance with respective Board and institutional investment policies.

State Auditor Report

The State Auditor made a study and evaluation of general and application controls of the general ledger system (departmental accounts) of the Iowa State University's Administrative Data Processing Center. The auditor did not report any findings.

External Audit Report

Dierking, Lockie & Associates, P.C. of Sioux City, Iowa, conducted Simpco's audit for the fiscal year ended June 30, 2000. The audit report is released on an annual basis and is conducted in accordance with generally accepted auditing standards, Iowa Code Chapter 11, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The auditors concluded that the general purpose financial statements were presented fairly in all material respects. There were no reported findings.

The audited financial statements of the Tri-State Graduate Center, one of the regional study centers, are included in the Simpco report.

Internal Audit Reports


Completed institutional internal audit reports were presented to the Banking Committee as required by Board policy. The Board Office monitors the progress of the institutions' follow-up on these reports. When corrective action has been satisfactorily completed, the audits are closed.

Eight completed internal audit reports were presented to the Banking Committee, seven new and one follow-up. Six of the new audits and the follow-up report require additional follow-up: Human Resources Benefits Administration (SUI); Surplus Stores (SUI); University Box Office (SUI); Complimentary Valet Parking – Cash Handling (UIHC); Hospital Vending Revenue (UIHC); PYXIS (Pharmacy Dispensing Machines) (UIHC); and Human Resources Software Access Security.

The Status of Internal Audit Follow-Up report reflected the current status of the follow-up audits organized by university. The report identified 14 internal audit reports that have previously been presented to the Banking Committee which still require follow-up. Internal auditors at the University of Iowa closed one audit.


Pamela M. Elliott

Approved: _____


Robert J. Barak